

## Message Text

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PAGE 01 SEOUL 02933 110619Z  
ACTION EA-12

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TO USDOC WASHDC PRIORITY  
INFO SECSTATE WASHDC 384

UNCLAS SEOUL 2933

E.O. 11652: N/A  
TAGS: ETRD, BENC, EFIN, KS  
SUBJECT: MAJOR PROJECT: INTERNATIONAL HOTEL IN BUSAN

1. PROJECT DESCRIPTION: THE TONG NAE HOTEL CORP. LTD.  
PLANS TO CONSTRUCT A TWENTY STORY, \$32.5 MILLION INTERNATIONAL  
CLASS HOTEL OF OVER 500 ROOMS ON THE SITE OF THE NEW TONGNAE  
TOURIST HOTEL IN BUSAN WHICH DATES FROM THE PRE-WW II ERA.  
TONGNAE, WHICH IS ON THE NORTHERN EDGE OF THE CITY IS ONE  
OF THE FEW HOT SPRING AREAS IN KOREA AND IS SITUATED AT THE  
BASE OF A STEEP MOUNTAIN BACKDROP EQUIDISTANT FROM THE CITY  
CENTER AND THE NEW KIMHAE INTERNATIONAL AIRPORT. THE HOTEL  
GROUNDS COVER 2,000 PYONG (8,000 SQUARE YARDS) ON WHICH IS  
ALSO LOCATED KOREA'S BEST JAPANESE RESTAURANT  
(BYUL CHANG) IN AN EXTENSIVE OLD MANICURED GARDEN SETTING.  
THE FIRM SEEKS A TOP NAME U.S. HOTEL FIRM (SUCH AS INTER-  
CONTINENTAL, HILTON OR SHERATON) INTERESTED IN PROVIDING  
(A) PARTNERSHIP, ITS NAME, TRAINING MANAGEMENT AND OPERATION;  
OR (B) FINANCING PLUS ITS NAME, TRAINING, OPERATION AND  
MANAGEMENT.

2. IMPLEMENTING OFFICE:  
MR. LEE CHI-OP  
SEOUL REPRESENTATIVE, TONG NAE HOTEL CORP, LTD.  
38-127, YONG MOON-DONG,  
YONGSAN-KU, SEOUL, KOREA  
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(TEL: 713-0034)

3. COST AND FINANCING: THE FIRM ESTIMATES THAT TOTAL PROJECT  
COST WILL BE \$32,437,888 OF WHICH APPROXIMATELY \$22.5 MILLION  
WOULD REPRESENT FOREIGN EXCHANGE COSTS FOR WHICH TONG NAE  
WOULD RELY UPON A 10 YEAR TERM LOAN OR AN INVESTMENT PARTNERSHIP  
BY AN INTERESTED U.S. HOTEL FIRM. FIRM HAS LOCAL FUNDS IN HAND.

UPON ROKG APPROVAL OF THE PROJECT, U.S. INVESTORS WOULD ENJOY THE INCENTIVES OF THE ROK FOREIGN CAPITAL INDUCEMENT LAW AND ALL IMPORTS FOR THE PROJECT WOULD BE LICENSED REGARDLESS OF TRADE BANS OR RESTRICTIONS.

4. EXPECTED CONSTRUCTION DATES: BASIC ENGINEERING DESIGN, DETAILED CONSTRUCTION PLANS, ACTUAL CONSTRUCTION COST ESTIMATES AND REMOVAL OF THE EXISTING BUILDING WOULD BE DONE WITHIN 1978. THE FIRM WOULD LIKE TO COMMENCE ACTUAL CONSTRUCTION WORK IN JANUARY 1979 WITH COMPLETION EXPECTED BY THE END OF 1980 AND COMMERCIAL OPERATION WOULD BEGIN IN EARLY 1981.

5. POTENTIAL U.S. SALES: U.S. INVOLVEMENT DEPENDING ON THE TERMS OF THE PARTNERSHIP COULD INCLUDE PROJECT DESIGN AND CONSULTANT SERVICES, CONSTRUCTION SUPERVISION, COMPLETE SUPPLY OF U.S. SPECIFICATION HOTEL EQUIPMENT, FURNITURE, FIXTURES AND TRAINING MANAGEMENT AND OPERATION FEES, ETC.

6. POST COMMENTS: TONG NAE HOTEL CORP. IS A CLOSELY HELD FAMILY CONTROLLED FIRM THAT HAS MANAGED ITS WELL KNOWN HOTEL SINCE 1945 WHEN IT BOUGHT OUT THE FORMER JAPANESE OWNERS. THERE HAS BEEN A CRITICAL NATIONWIDE HOTEL ROOM SHORTAGE IN KOREA FOR THE PAST TWO YEARS OR MORE DURING WHICH THE NUMBER OF ANPUAL INTERNATIONAL VISITORS GREW TO ONE MILLION IN 1977. MOREOVER, INTERNATIONAL AIR TRAFFIC TO PUSAN WILL BE AUGMENTED BY ADDITION OF ANOTHER AIRLINE SERVICE  
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THERE AND THE INAUGURATION OF DIRECT JAL FLIGHTS FROM SEVERAL JAPANESE CITIES WHICH HAVE NOT BEEN CONNECTED WITH BUSAN IN THE PAST. THE HOTEL'S SETTING AND LOCATION WILL MAKE IT PARTICULARLY ATTRACTIVE TO JAPANESE TOURISTS AND BUSINESSMEN BUT ALSO TO TOURISTS FROM OTHER NATIONS AS WELL. THE PRESENT MANAGEMENT IS EXPERIENCED IN SUCCESSFULLY OPERATING A HOTEL IN THE JAPANESE STYLE, BUT RECOGNIZES THE IMPORTANCE OF INTRODUCING AN INTERNATIONAL "NAME" AND MANAGERIAL KNOWHOW AS IT EXPANDS TO A MUCH LARGER SCALE. INTERESTED U.S. FIRMS MAY WISH TO CONVEY THEIR INTEREST DIRECTLY TO MR. LEE.  
SNEIDER

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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CONSTRUCTION, INVESTMENT OPPORTUNITIES, HOTELS  
**Control Number:** n/a  
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**Draft Date:** 11 apr 1978  
**Decaption Date:** 01 jan 1960  
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**Disposition Approved on Date:**  
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**Disposition Comment:**  
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